



**U.S. Department of Justice**

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**FOR IMMEDIATE RELEASE:**

**FEDERAL PROPERTY MANAGEMENT CORP. SETTLES  
CIVIL ALLEGATIONS REGARDING VIOLATIONS OF  
FALSE CLAIMS ACT & HUD REGULATIONS**

**NEWS RELEASE**

Susan W. Brooks, United States Attorney for the Southern District of Indiana, announced the settlement this month of potential civil litigation against Federal Property Management, Corporation (FPM), the former owner or property manager of several troubled Section 8 housing complexes in Indianapolis.

FPM, based in Florida, owned and/or managed: Academy Apartments on North Meridian; Blacherne Apartments located at North Meridian and Vermont, Carpenters Apartments on East Michigan Road; Parkview Place Apartments on Beckwith Drive; and Savoy-Hoosier

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Apartments located on Massachusetts Avenue and North Illinois Street. FPM sold the Academy Apartments in 1998 and the Carpenters Apartments in 1999. FPM defaulted on its HUD-held mortgages at Blacherne, Parkview, and Savoy-Hoosier and those properties were foreclosed by HUD. The last FPM-related property in operation in Indianapolis, Weyerbacher Terrace, located in the Near-Northside at Fall Creek and North Illinois Street, is currently in foreclosure proceedings with HUD as well.

The United States alleges that FPM made false monthly certifications to HUD in the course of claiming payments under HUD's Section 8 rental assistance subsidy program. The alleged false certifications at each of FPM's apartment complexes concerned whether some of the tenants FPM claimed for subsidy purposes on the HUD vouchers actually lived there and whether some of the tenants at the complexes were properly certified to receive HUD Section 8 subsidies.

The United States also alleges that with regard to Blacherne, Savoy-Hoosier, and Parkview Place, FPM falsely certified that certain apartment units satisfied the minimum federal housing requirements for safe, decent, and sanitary living conditions when they did not. The United States contends that FPM knew that Blacherne, Savoy-Hoosier, and Parkview were in terrible repair and that FPM's own unit inspection reports cited many of the same housing quality standards found by HUD in subsequent inspections. In 1997, HUD abated the Section 8

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payments to Blacherne, Savoy-Hoosier, and Parkview causing those complexes to go into foreclosure.

The final issue resolved by the Settlement Agreement involves the allegation that FPM improperly used fire insurance proceeds paid to it as the result of a fire at the Savoy-Hoosier Apartments. Pursuant to the mortgage held by HUD, the fire insurance proceeds were only to be used to pay down the existing mortgage debt or repair the actual fire damage. While FPM did use a portion of the insurance proceeds to repair the fire-damaged units, it used over \$96,000 of the insurance proceeds to pay other project expenses unrelated to the fire, including its own management and attorneys' fees.

In the Settlement Agreement, FPM expressly denied any liability to the United States or HUD.

According to Marsha C. Massey, the Assistant United States Attorney who negotiated the Settlement Agreement, FPM must pay \$400,000 by electronic funds transfer within ninety days of the execution of the Settlement Agreement. FPM's ninety days began running on September 18, 2003. In addition to the cash payment, FPM agreed to a voluntary exclusion from participating in future transactions, including procurement contracts, as a participant, principal, or contractor at HUD and throughout the Executive Branch of the Federal Government, for a period of two years beginning on September 13, 2003. The voluntary exclusion does not,

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however, apply to HUD projects currently owned or managed by FPM and/or its subsidiaries.

FPM cooperated with HUD's Office of Inspector General for Audit during the investigation.

U.S. Attorney Brooks added, "This result is gratifying because it sends the message that if landlords who receive HUD funds don't live up to their end of the bargain, they will suffer the consequences. The Section 8 Program is designed to help those in need of decent housing – not line the pockets of the landlords."

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